

INFO	LOG-00	EEB-00	AID-00	CIAE-00	COME-00	INL-00	DODE-00
	NOTE-00	DS-00	FAAE-00	FBIE-00	VCI-00	H-00	TEDE-00
	INR-00	LAB-01	L-00	MOFM-00	MOF-00	VCIE-00	NSAE-00
	ISN-00	NSCE-00	OMB-00	NIMA-00	PA-00	PM-00	GIWI-00
	PRS-00	P-00	ISNE-00	FMPC-00	SP-00	EPAE-00	IIP-00
	SCRS-00	PMB-00	DSCC-00	PRM-00	DRL-00	G-00	NFAT-00
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 FM AMEMBASSY PRETORIA  
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 INFO SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
 AMEMBASSY HARARE  
 DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L PRETORIA 001824

STATE PASS USAID FOR MARJORIE COPSON AND LORIE DOBBINS

E.O. 12958: DECL: 09/10/2019  
 TAGS: [EAID](#) [ECON](#) [EFIN](#) [PGOV](#) [SF](#)  
 SUBJECT: SOUTH AFRICA PLANNING NEW ASSISTANCE TO ZIMBABWE

Classified By: Economic Counselor Terri Robl, reasons 1.4 (b) and (d)

¶1. (C) Summary: South Africa has given R300 million (\$40 million) of budget support to Zimbabwe's Finance Ministry since the formation of the Government of National Unity in Harare. Pretoria is now weighing a Finance Ministry request for additional support of R1,000 million (\$134 million). The South African Reserve Bank is preparing a R500 million (\$67 million) facility for use by South African banks making commercial loans in Zimbabwe. Agreement on a Bilateral Investment Treaty between South Africa and Zimbabwe may be near. South Africa believes donors should drop their opposition to full IFI re-engagement in Zimbabwe. The South African National Treasury is open to the idea of consultations with USAID regarding Zimbabwe programs. End Summary.

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 Bucks for Biti  
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¶2. (C) South Africa is getting ready to give additional financial assistance to the Government of Zimbabwe, according to South African National Treasury Chief Director (African Economic Integration) Neil Cole. Cole met last week with Deputy Economic Counselor and Political Officer.

¶3. (C) Cole said that South Africa recently delivered the third and final tranche of the R300 million (\$40 million) budget support package that was put together earlier this year to support the fledgling Government of National Unity (GNU) in Zimbabwe. According to Cole, the money was originally intended to pay for the salaries of civil servants. In reality, it was spent on municipal infrastructure in Harare and Bulawayo, and on health and education programs. Cole acknowledged that budget support is a risky option for donors -- he called it a "leap of faith." He argued, however, that Pretoria had no choice but to show support for Zimbabwean Finance Minister Tendai Biti. He said the money helped Biti "get through a very difficult period." Note: South Africa also furnished R300 million of seeds and other agricultural goods to Zimbabwe in late 2008/early 2009. End Note.

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 Brother, Can You Spare A Billion Rand?  
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¶4. (C) Biti has now asked for an additional R1,000 million (\$134 million) of budget support from South Africa. Cole dismissed this amount as a "non-starter" in the current budget climate, but he thought it likely Pretoria would agree to a smaller package of R300-500 million (\$40-67 million).

First, however, National Treasury will need an auditor's assurance that the initial 300 million has been properly spent. Cole explained that the South African embassy in Harare is "too understaffed to keep track of our money."

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Money for Banks, Other Assistance  
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¶5. (C) Cole also said that the South African Reserve Bank (SARB) is negotiating a R500 million (\$67 million) loan to the Reserve Bank of Zimbabwe (RBZ). According to Cole, this money will be drawn down by South African banks making commercial loans in Zimbabwe. He explained that the RBZ had to be included in the program as SARB lacks legal authority to make loans to private banks outside of South Africa, whereas SARB can make loans to foreign central banks. Cole stressed that the RBZ will be nothing more than a conduit between SARB and the private banks, with no say in the disposition of the R500 million. "(Former Finance Minister) Qdisposition of the R500 million. "(Former Finance Minister) Trevor Manuel was adamant that the RBZ not be involved at all, but it turned out to be legally necessary," he said.

¶6. (C) Cole downplayed media reports that the Development Bank of Southern Africa (DBSA) (a SAG-owned development finance institution) might get deeply involved in Zimbabwean assistance. He said that DBSA's inability to make concessional loans in Zimbabwe would limit its role as a lender.

¶7. (C) Cole confirmed that a Bilateral Investment Treaty (BIT) between South Africa and Zimbabwe has been negotiated and is now being reviewed by the Zimbabwean cabinet. He said that progress on the BIT has been delayed by disagreements over clauses that would permit South Africans to make retroactive expropriation claims. Note: An official at Business Unity South Africa recently told Deputy Economic Counselor that Trade and Industry Minister Rob Davies plans to lead a large business delegation to Harare for a BIT signing ceremony once the Zimbabwean cabinet blesses the text. She had the impression that agreement on the BIT was imminent. End Note.

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The Donors' Role  
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¶8. (C) Cole acknowledged that so far the SAG is not coordinating with other donors on Zimbabwe assistance, apart from occasional meetings with DFID. He welcomed the opportunity to consult with USAID on Zimbabwe programs.

¶9. (C) Asked what donors should do next in Zimbabwe, Cole said the U.S. and others should abandon their opposition to full re-engagement by the IMF, World Bank, and AfDB. Once financial support from the IFIs is a possibility, South Africa would help Zimbabwe pay off its arrears, he told us. At the same time, Cole said that he personally supports the retention of targeted sanctions on ZANU-PF leaders, at least for the time being. "This pressure is still helpful," he explained.

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Comment  
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¶10. (C) South Africa takes credit for brokering the political agreement and subsequent GNU in Zimbabwe. A GNU failure would reflect badly on Pretoria's diplomacy and result in further problems, such as refugee flows, for South Africa and the region. Restoring economic growth in Zimbabwe is thus a key element of South Africa's strategy to support the GNU and "normalize" Zimbabwe. Pretoria is likely to continue with assistance programs in spite of the tough budget climate.

